

Mr. Chairman and Members of the Committee:

I am pleased to be here on behalf of AARP, the nation's largest organization representing the interests of older Americans.

More than half of AARP's 34 million members work full or part time. We therefore have a keen interest in the policies and practices that affect the work lives of our members and all older Americans.

As we all know, the workplace is changing dramatically. The 76 million baby boomers marching into and through their middle years are poised to reshape the nature of work and retirement in the 21st century. They are living longer healthier lives: are better educated than their parents; and are used to having more options with regard to their work and leisure lives.

And, employers need these workers. With unemployment at record lows, and the need for highly skilled and competent workers at record highs, employers will have to re-think their attitudes about older workers, and their labor practices, if they want to encourage good workers to stay on the job longer or reenter the marketplace.

At present, fewer than 13 percent of the 65-plus population is in the labor force. That figure only rises to 32 percent among those 55 and above, and when limited to workers age 55 to 64, the participation rate is substantially higher. These figures represent an increase in employment on the part of older men and women since the mid-1980s. Prior to that time, labor force participation rates for older Americans had steadily fallen since World War II.

Over the years, AARP has conducted numerous surveys of employers' and human resources managers' attitudes toward, opinions on, and policies and practices for, older workers. Our most recent study, which was based on interviews with representatives of 400 organizations, found that older workers continue to be recognized and valued for having a good work ethic and for providing experience, knowledge, and stability in the workplace. They are viewed as loyal workers who can be counted on in a crisis--all attributes that ought to make them desirable workers in our service-oriented economy.

Despite the good news, the future is by no means certain for those who want to remain at work. These same managers also view older workers as inflexible, averse to change, not technologically up to date, and resistant to learning new technology. However, numerous studies have shown that the ability to learn new skills and concepts continues well into advanced age.

In a further twist, in this same study "finding and keeping skilled employees" emerged as the most important issue facing employers today. Training their current workforce was a close second. But, skills training for older workers is not yet the industry norm, despite the aging of the workforce. And older workers remain underrepresented in the company training programs that do exist.

Perhaps the most important change in employer practices that would encourage older workers to remain - or reenter - the labor force is providing appealing part-time employment opportunities and "phased retirement." Although few companies in the United States have formal phased retirement programs, many businesses, especially in Europe, have begun to experiment with them with great success. Older workers may move from a career job to bridge or transitional employment before full retirement; may opt for part-time employment in their career job; or may be rehired for short term projects.

One of the best and most successful examples of formal phased retirement is in Sweden, which introduced a national phased retirement or partial pension program in 1976. Workers ages 60-65 may

reduce their work hours and offset the salary reduction by receiving partial pension benefits. In any given year, approximately 24% of eligible workers have participated in the program.

Preretirees in the United States say they, too, are interested in phasing into retirement. Nearly three-fourths of the respondents in the first wave of the Health and Retirement Study funded by the National Institutes on Aging said they would "prefer to phase down from full-time work to part-time work when they retire," but few of them believed that their current employers would provide them an opportunity to do so.

A recent AARP study confirms that assessment. AARP sought to examine companies with formal phased retirement programs, but few such programs could be identified. That assessment appears to be correct, at least according to another recent AARP study that sought to examine companies with formal phased retirement programs. Unfortunately, few such programs could be identified. This was somewhat surprising, in light of the many advantages that phased retirement offers to employers and workers.

However, one program did stand out. This program, which takes the form of a job-sharing program for older workers, allowed eligible employees to work 40 hours over two weeks and retain full health insurance benefits, prorated vacation leave, and the corporate match to their own 401(k) contributions. The employer is a clothing manufacturer and the program was offered to factory production and day care workers. The stated goal of the program, now nearly ten years old, is to increase the retention of skilled older workers. It is notable that factory work is typically associated with early retirement, so these workers probably would not have remained in the labor force without this program. The company's representative described the decision to implement the program as a "no brainer," particularly in light of his inability to offer significantly higher wages.

The company also believes that the program keeps older workers' production rates high and reduces equipment "down time." One supervisor found her job sharers to be very conscientious about arranging schedules so that machines were rarely idle.

Nonetheless, the AARP study identified a number of employer concerns that might undermine the development and implementation of similar programs in other companies. For example, there were concerns about age discrimination claims arising from an employer's discretion as to who was eligible to job share; another concern was whether the program would pass employee benefit nondiscrimination requirements if only highly compensated employees opted for it. However, the clothing manufacturer described above addressed this by making the formal phased retirement program available only to lower-wage (factory and day care) workers.

Another issue highlighted by employers is the difficulty of allowing participants who have chosen phased retirement to supplement their part-time income with distributions from their pension plans. Some companies have responded by requiring workers to retire formally, after which they are rehired as retirees.

There is no question that interest in phased retirement options will grow in the coming years. And, there is no one way to design a phased retirement plan. More appealing part-time jobs, more work at home, more telecommuting, and more flexible work schedules are some of the options employers should be offering older workers whose skills and abilities they wish to retain. I stress the words "skills and abilities," as did my colleague from the Committee for Economic Development earlier. These skills must be enhanced with the same access to employer provided training as their younger colleagues, and strong encouragement to seek such training.

Training programs and phased retirement hold great promise for prolonging working lives in the coming decades in ways that benefit everyone. AARP urges policymakers and employers to work together to eliminate barriers to making these options more widely available and acceptable, and to adopt and enforce policies and laws that ensure that older workers are welcomed and treated fairly in the labor market.

In particular, AARP commends Congress for its passage of legislation to eliminate the Social Security earnings limit for beneficiaries ages 65-69. AARP has long supported changes to the earnings limit. Americans aged 65-69 should be able to supplement their Social Security benefits with *earned income* without being penalized for working, just as they can supplement it with pensions and unearned income without penalty. At a time when labor shortages loom on the horizon, this is an important inducement to older productive persons to remain in the labor force. This change in the law sends a signal to older workers that their skills and abilities are needed and welcome.

The federal Age Discrimination in Employment Act is another critical tool in any effort to encourage older workers to remain productive. This important civil rights law must be strengthened and vigorously enforced to ensure that older workers can work free of discrimination. For example, those provisions that prohibit employers from reducing or eliminating credits to the pension accounts of workers as they age, which were authored by you, Mr. Chairman, were added to the ADEA in 1986 and remain just as important today. But, these provisions are now under attack by employers adopting "cash balance" pension plans that reduce accruals based on age and freeze some older workers' pension accruals in transition periods (the "wearaway"). Fewer older workers will want to stay on the job if their pension benefits do not continue to accrue.

Indeed, benefits of all types - health, pension, disability - are important inducements to all workers, not just older workers. As part of any effort to introduce formal phased retirement systems, we must consider providing these benefits, even if on a pro rata basis.

Thank you for this opportunity to speak with you. On behalf of AARP, we look forward to working with you on these and many issues of common concern to older Americans.